

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1346 – HB 1313

April 8, 2013

SUMMARY OF ORIGINAL BILL: Requires the waiver of all penalties and the reduction of interest to a rate of five percent imposed on any delinquent 2009 and 2010 real property taxes for delinquent taxpayers who owned real property that was demolished, destroyed, or substantially damaged as a result of a coal ash spill that occurred in Tennessee between December 1, 2008, and January 1, 2009. Deems real property substantially damaged when, as a consequence thereof, it has been rendered unfit for use or occupancy, or when the damage has reduced the value of the property by more than fifty percent.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – Exceeds \$59,900/One-Time

SUMMARY OF AMENDMENT (006528): Deletes all language after the enacting clause. Requires that delinquent taxes on property that was demolished or substantially damaged as a result of a coal ash spill that occurred in Tennessee between December 1, 2008, and January 1, 2009, are exempt from the penalty and are subject to the interest from the delinquency date of the respective tax year at the composite prime rate published by the Federal Reserve Board as of the delinquency date, minus two points. Deems property substantially damaged when, as a consequence of such coal ash spill, it has been rendered unfit for use or occupancy, the owner has filed legal action against the Tennessee Valley Authority (TVA) in the appropriate court of law, and the court has issued an order finding TVA responsible for damage. Requires the owner of such property to apply for this relief to the assessor by September 1, 2013. Specifies that this bill as amended will only apply to penalties and interest imposed for the 2009, 2010, and 2011 tax years.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Revenue – Exceeds \$9,900/One-Time

Assumptions for the bill as amended:

- The coal ash spill affected properties in Roane County, Tennessee.
- The exact number of delinquent taxpayers who owned real property that was demolished or substantially damaged as a result of the coal ash spill is unknown.

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- The composite prime rate published by the Federal Reserve Board was 3.25 percent on March 1, 2010, March 1, 2011, and March 1, 2012. The monthly interest rate authorized by this bill as amended to be imposed on the delinquent property taxes is equal to 1.25 percent (3.25% - 2.00%).
- According to the Roane County Executive's Office, Roane County has a combined interest and penalty of 18 percent. The total base amount of taxes due is estimated to be approximately \$1,793,698 (\$280,127 for tax year 2009; \$563,571 for tax year 2010; and \$950,000 for tax year 2011), and the total amount of penalties and interest owed to the County is estimated to be approximately \$572,278 (\$180,133 for tax year 2009; \$221,145 for tax year 2010; and \$171,000 for tax year 2011).
- It is assumed that at least 15 percent of the base amount owed is owed by taxpayers whose real property was demolished or substantially damaged as a result of the coal ash spill and who will apply and receive relief provided by this bill as amended.
- Providing the required relief to owners of such property is estimated to result in a one-time decrease in penalty and interest collections exceeding \$9,874 (\$3,323 for tax year 2009; \$3,808 for tax year 2010; and \$2,743 for tax year 2011).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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